

GLOBAL MARKET SQUARE



June Opens with the S&P 500 and Nasdaq Closing at Record Highs as AI-Fueled Technology Rally Overcomes Geopolitical Risks and Rising Oil Prices

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The U.S. and European stock markets closed mixed as investors balanced escalating geopolitical tensions in the Middle East against continued strength in artificial intelligence-related technology stocks and resilient corporate earnings. Despite a sharp increase in oil prices and renewed uncertainty surrounding U.S.-Iran negotiations, U.S. equities advanced to fresh record highs, demonstrating the market's continued confidence in economic fundamentals and the powerful influence of the AI investment cycle.

Investor sentiment remained surprisingly resilient throughout the session as markets looked beyond reports of renewed military activity involving the United States, Iran, and Israel. While oil prices surged following concerns that tensions could threaten shipping through the Strait of Hormuz, investors largely concluded that the probability of a broader regional conflict remains limited. At the same time, strong demand for technology shares helped offset geopolitical concerns, allowing the major U.S. indexes to establish new all-time highs.

U.S. Markets

U.S. equities continued their record-setting advance, with technology shares leading the market higher. The S&P 500 gained 0.26% to close at a new all-time high, while the Nasdaq Composite advanced 0.42%, also reaching a record close. The Dow Jones Industrial Average added 46 points, or 0.09%, extending its recent gains and establishing another intraday record during the session. Technology once again served as the market's primary catalyst. Nvidia rose 5% after unveiling a new processor designed for personal computers, reinforcing investor confidence in the company's leadership position within the rapidly expanding artificial intelligence ecosystem. The announcement sparked a broader rally across PC-related technology companies, with Dell Technologies surging more than 10% and HP Inc. advancing over 8%.

Strength in technology shares offsets rising geopolitical concerns and higher energy prices. Beyond technology, energy was the only S&P 500 sector to finish higher amid a surge in oil prices. Marathon Petroleum gained approximately 3%, while ExxonMobil and Chevron advanced as investors reassessed potential supply risks amid escalating tensions in the Middle East.

Market leadership remains concentrated among a relatively small group of beneficiaries of artificial intelligence. According to Evercore ISI, companies such as Nvidia, Micron Technology, and Alphabet accounted for more than 40% of the upward revisions in 2026 S&P 500 earnings expectations. The continued acceleration of AI-related capital spending remains one of the strongest drivers supporting both earnings growth and market valuations.

While geopolitical developments remain an important risk factor, investors continue to focus primarily on corporate profitability, earnings revisions, and technology-driven productivity gains. The market's ability to reach new highs despite rising oil prices and renewed geopolitical uncertainty suggests that investors remain confident that economic growth and earnings momentum will continue to support equities through the remainder of 2026.

European Markets

European markets traded lower as investors reacted to rising geopolitical tensions in the Middle East and growing concerns that diplomatic efforts between the United States and Iran may be deteriorating. The Stoxx Europe 600 declined nearly 0.8%, with major indexes in London, Frankfurt, Paris, and Milan all moving lower as risk sentiment weakened across the region.

Investor concerns intensified following reports from Iranian media indicating that Tehran had suspended indirect communications with the United States after Israel expanded military operations in Lebanon. Additional reports suggesting that Iran could restrict traffic through the Strait of Hormuz contributed to a sharp increase in oil prices, raising concerns about potential energy supply disruptions and renewed inflationary pressures in Europe.

The prospect of higher energy costs weighed particularly on sectors sensitive to economic growth and consumer spending, while investors reassessed the potential economic consequences of a broader regional escalation. European leaders, including officials from the United Kingdom, France, and Germany, publicly criticized the renewed military operations in Lebanon and called for a return to diplomatic negotiations.

Despite the broader market decline, technology shares outperformed following SoftBank's announcement of a €75 billion investment program in France focused on artificial intelligence infrastructure, including €45 billion scheduled over the next five years. The announcement supported European technology stocks and reinforced investor confidence in the long-term growth prospects of the AI sector.

European markets remain caught between supportive economic fundamentals and rising geopolitical uncertainty. Investors are likely to remain focused on developments in the Middle East, energy prices, and the potential implications for inflation, economic growth, and monetary policy across the region.

Energy Markets

Energy markets moved sharply higher as traders reassessed geopolitical risks after reports that diplomatic communications between the United States and Iran had stalled. Additional concerns surrounding the potential security of shipping lanes through the Strait of Hormuz further increased risk premiums across global oil markets.

West Texas Intermediate crude traded near \$92 per barrel, while Brent crude moved above \$95 per barrel. The renewed rise in oil prices represents a significant reversal from the declines experienced during May, when investors increasingly anticipated a diplomatic resolution to regional tensions. Markets will continue to closely monitor developments in the Middle East, as energy prices remain one of the most important variables influencing inflation expectations, economic growth prospects, and central bank policy decisions.

Economic & Policy Outlook

Investors enter June with a generally constructive economic backdrop, characterized by resilient consumer spending, a healthy labor market, and continued corporate earnings growth. The principal risk facing markets remains geopolitical rather than economic, as renewed tensions in the Middle East threaten to raise energy costs and complicate the inflation outlook.

Treasury yields moved higher at the start of the month, reflecting both heightened geopolitical uncertainty and expectations that the Federal Reserve will maintain a cautious policy stance until additional evidence of sustained inflation moderation emerges.

The combination of steady economic activity, strong earnings growth, and expanding investment in artificial intelligence infrastructure continues to support equity valuations, despite elevated geopolitical risks.

Berkshire Hathaway Makes Major Housing Bet with Taylor Morrison Acquisition

One of the most significant corporate transactions announced this week was Berkshire Hathaway's agreement to acquire Taylor Morrison Home Corporation in an all-cash transaction valued at approximately \$6.8 billion, or roughly \$8.5 billion including assumed debt. The acquisition represents the first major strategic acquisition under Berkshire CEO Greg Abel and signals a strong long-term vote of confidence in the U.S. housing market.

The transaction comes at a time when elevated mortgage rates and affordability concerns have slowed housing activity. Yet Berkshire appears to be positioning itself for the structural housing shortage, which continues to support long-term demand across the United States. The acquisition also expands Berkshire's already substantial housing-related operations, which include Clayton Homes, Acme Brick, and Johns Manville, creating an even more integrated residential housing platform.

For investors, the deal is noteworthy because it demonstrates Berkshire's willingness to deploy capital into real assets tied to long-term demographic and economic trends. Despite holding one of the largest cash positions in corporate America, Berkshire chose residential construction as the sector for its first major acquisition under new leadership, suggesting confidence that housing demand will remain a durable driver of economic activity for years to come.

Market Significance: The acquisition reinforces the view that long-term investors continue to see value in sectors linked to U.S. population growth, household formation, and housing supply constraints, even amid a higher interest-rate environment.

The Final Word: Market Perspective

Markets entered June from a position of considerable strength following one of the most powerful two-month advances of the current market cycle. While geopolitical tensions and higher oil prices have introduced additional uncertainty, investors have thus far demonstrated a willingness to look beyond near-term risks and focus on resilient economic fundamentals, strong corporate earnings, and continued innovation-driven growth.

The investment backdrop remains constructive as economic activity continues to expand, labor markets remain healthy, and the artificial intelligence investment cycle provides powerful support for technology and broader equity markets. Record highs across major U.S. indices underscore investor confidence that earnings growth and productivity gains can continue to offset macroeconomic and geopolitical challenges.

Investors are likely to remain focused on developments in the Middle East, energy prices, Treasury yields, labor market conditions, and inflation trends as the principal catalysts shaping market direction in the weeks ahead. While periods of consolidation would be normal following such a substantial advance, the underlying fundamentals supporting equities remain intact, suggesting that any near-term volatility may be viewed as an opportunity rather than a signal of a broader change in market direction.

Economic Data:

- **US ISM Manufacturing PMI:** rose to 54.00, up from 52.70 last month, increasing 2.47%.
- **US Construction Spending MoM:** rose to 0.37%, compared to 0.18% last month.

Eurozone Summary:

- **Stoxx 600:** closed at 621.24, down 4.76 points or 0.76%.
- **FTSE 100:** closed at 10,338.95, down 70.33 or 0.68%.
- **DAX Index:** closed at 25,003.04, down 101.66 points or 0.40%

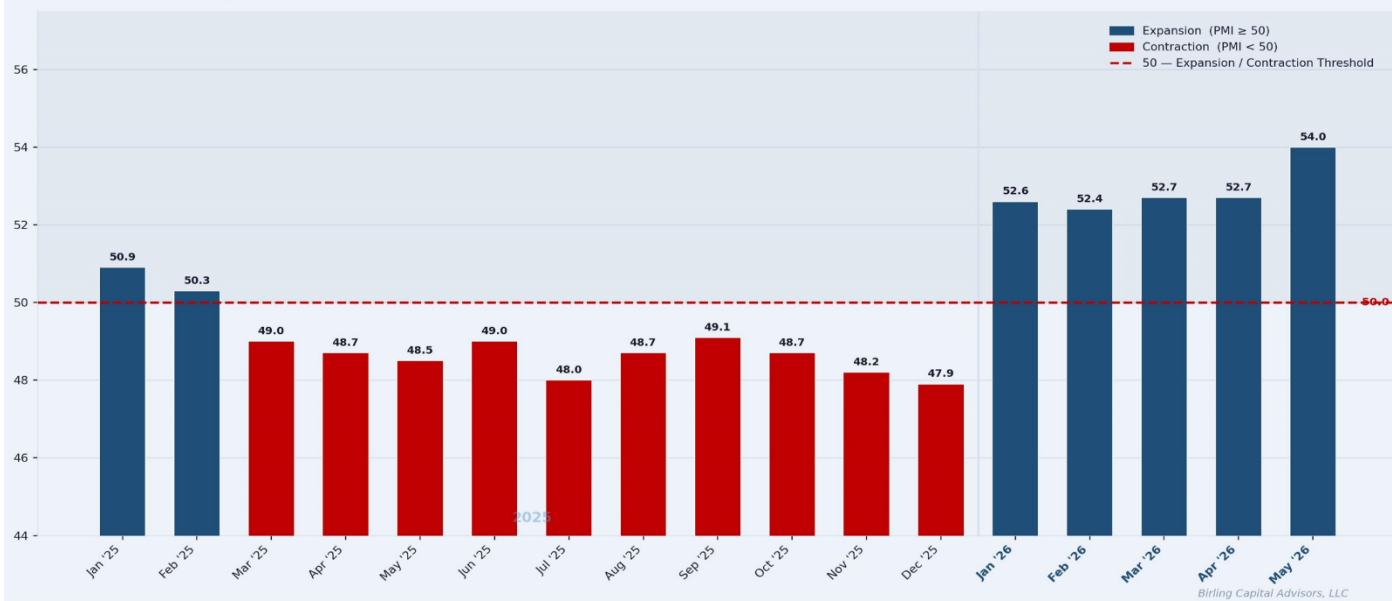
Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 51,078.88, up 46.42 points or 0.09%
- **S&P 500:** closed at 7,599.96, up 19.90 points or 0.26%.
- **Nasdaq Composite:** closed at 27,086.81, up 114.18 points or 0.42%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,310.77, down 8.33 points or 0.19%.
- **Birling Capital U.S. Bank Index:** closed at 9,375.11, up 131.40 points or 1.42%
- **U.S. Treasury 10-year note:** closed at 4.47%.
- **U.S. Treasury 2-year note:** closed at 4.05%.



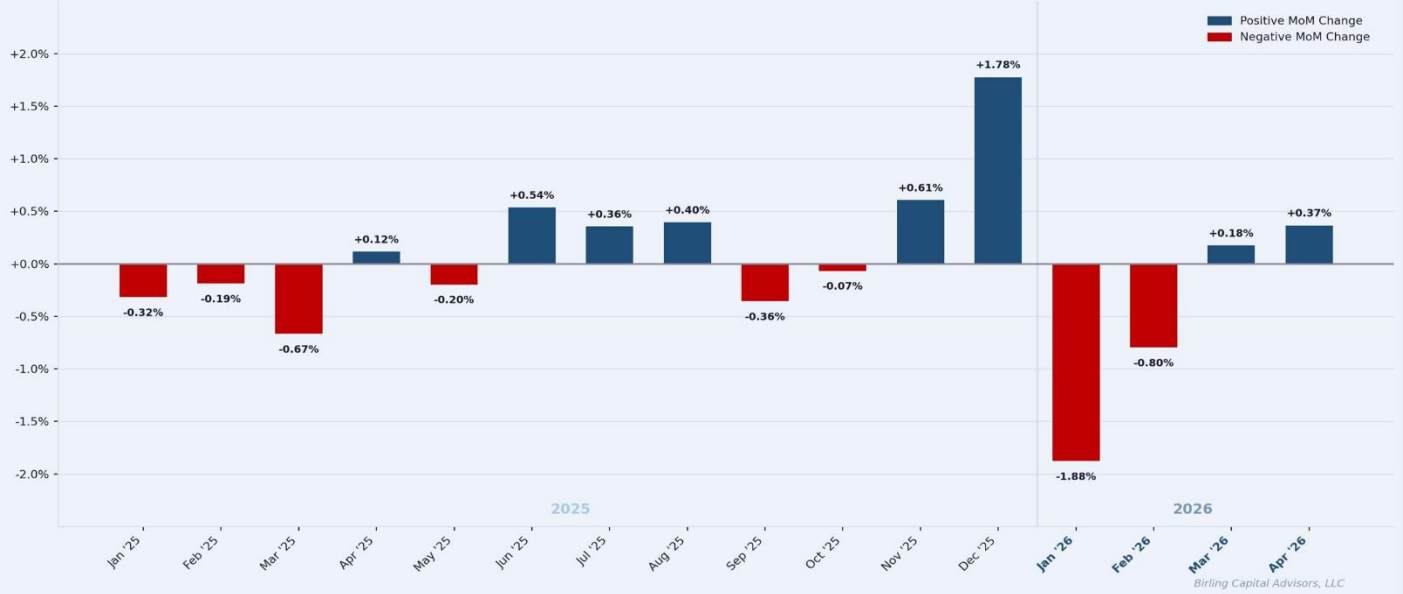
U.S. ISM Manufacturing PMI

January 2025 - May 2026 | Source: Institute for Supply Management (ISM®)



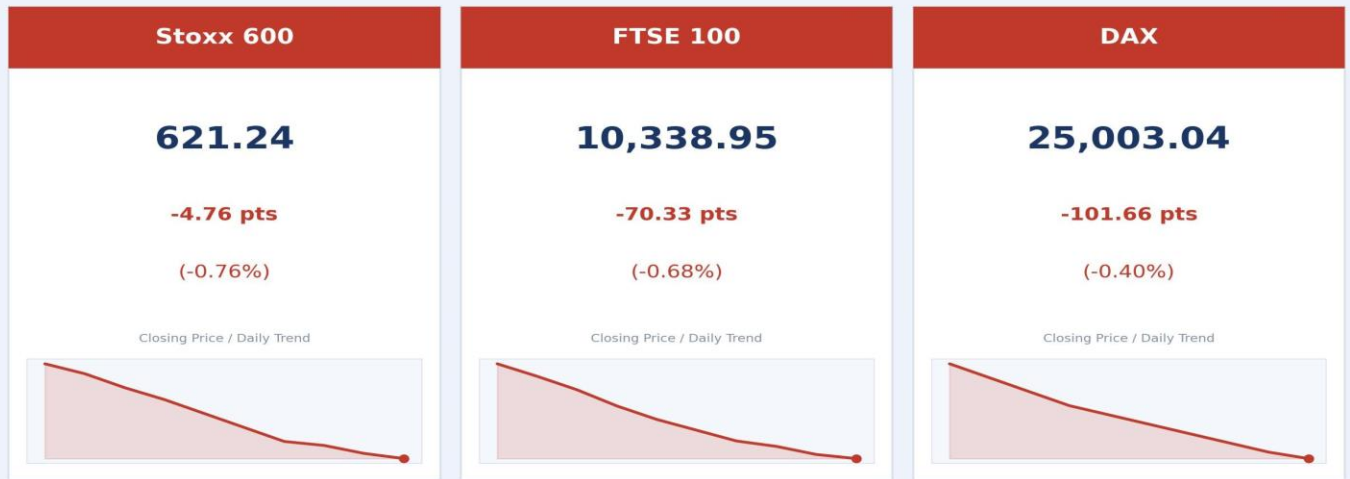
U.S. Construction Spending — Month-over-Month Change

January 2025 - April 2026 | Source: U.S. Census Bureau



European Markets Summary

Monday, June 1, 2026 · Daily Close



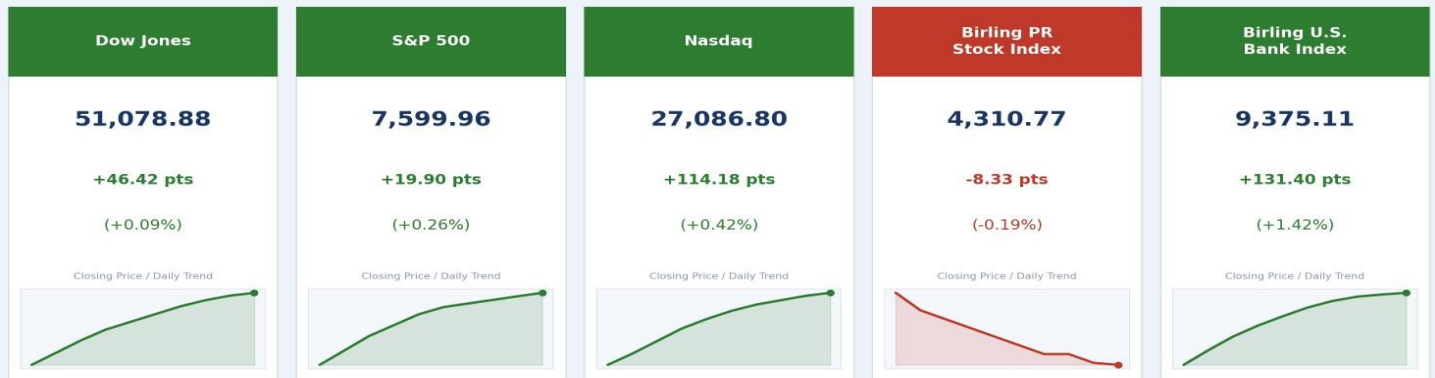
Source: Bloomberg

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Wall Street Summary

Monday, June 1, 2026 · Daily Close



10-Year Note

4.47%

Spread

42 bps

2-Year Note

4.05%

Source: Bloomberg

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Wall Street Recap

June 1, 2026



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